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**STATEMENT BY U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY AND
COMMERCE SECRETARY WILLIAM M. DALEY UPON
RELEASE OF MONITORING REPORT ON FOREIGN ACCESS
TO JAPAN'S FILM MARKET**

United States Trade Representative Charlene Barshefsky and Commerce Secretary William M. Daley today issued the following joint statement concerning the second semi-annual report assessing Japan's implementation of the representations it made to the World Trade Organization (WTO) regarding the openness of its photographic film and paper market. The report covers the period of September 1998 - April 1999.

"Our second Japan film monitoring report welcomes the steps the Japanese Government has taken to date, but underscores the need for additional progress to make Japan's photographic film and paper market truly competitive. We are pleased that the Japanese Government has responded to several specific U.S. concerns in directing Japan's domestic film manufacturers to cease potentially anti-competitive data exchanges and improving the transparency of its Premiums Law, which will help ensure that the law is not improperly used to restrict retail competition. Despite these steps, however, competitive conditions in Japan's photographic film and paper sector are substantially short of the Japanese Government's representations to the WTO.

"In particular, this report highlights the need for additional Japanese Government action to address business practices that unreasonably restrain trade in this sector, particularly in two areas. First, we continue to receive reports of Fuji distributors halting or disrupting deliveries to retailers who promote competing brands of photographic film and paper. Second, we are concerned about reports of Fuji distributors conditioning low wholesale film prices on exclusive sales of Fuji film.

"The report also calls on Japan to open its distribution system to imports and to prohibit practices that discourage the opening of large stores. The report details U.S. Government concerns related to the implementation of the new Large-Scale Retail Store Location Law, which will become effective in June 2000. In particular, the United States asked the Japanese Government to address its concern that the new Guideline, which provides detailed environmental criteria for consideration by large-scale

retail stores and local governments, will lead to a more costly and less competitive retail sector in Japan.

“We believe that our monitoring initiative has contributed to some improvements in foreign access and are determined to continue working to open this market in line with Japan’s WTO representations. We will urge the Japanese Government to take the specific market access and competition policy steps identified in this report, such as bolstering JFTC resources to investigate anti-competitive practices and actively promoting MITI and JFTC guidelines regarding business and distribution practices. In addition, we will continue to work with Japan under the Enhanced Initiative on Deregulation and Competition Policy to reform its distribution structure, ensure that its new Large-Scale Retail Store Location Law does not restrict competition, improve its anti-monopoly enforcement regime, and promote more robust competition in the Japanese market. Eliminating market access barriers and anticompetitive practices is critical not only to improving market access in this and other sectors, but ultimately to ensuring the success of Japan’s economic revitalization efforts.”

This report was drafted by the interagency Monitoring and Enforcement Committee, co-chaired by the Office of the U.S. Trade Representative and the Department of Commerce. This Committee was established in February 1998 to review implementation of formal representations made by Japan to a WTO panel regarding the openness of its market to imports of photographic film and paper. The next report, which we expect to release in late 1999, will include an update on the results of the survey of availability of foreign film discussed in the first monitoring report.

The full report can be found on the U.S. Trade Representative’s homepage at <http://www.ustr.gov> and on the Department of Commerce’s homepage at <http://www.ita.doc.gov>.